

every year. However, a constitutional amendment to require a balanced budget does not change Social Security in any way.

Current laws on the books that protect Social Security would not be changed by the amendment. For example, Social Security is exempt from across-the-board budget cuts. The trust fund is already excluded from deficit calculations. The amendment does not change those laws in any way.

Taking Social Security and other worthy problems off-budget under the amendment would open up a loophole to evade the intent of the proposal. It would set a precedent for other Government programs to simply by shifting enough Government programs into off-budget accounts. This would only make matters worse. I'm sure you wouldn't do this with your own check book. That's why I don't want to make an exception for the Government.

In fact, a constitutional amendment to the Constitution requiring a balanced budget is critical to the long-term health of Social Security, forcing Congress to bring the deficit to zero so future politicians will not be tempted to cover our Nation's huge debt with the Social Security surplus set aside for the baby-boomer generation.

Mr. Chairman, since I took office, I have had the courage to consistently vote against wasteful spending over 300 times to cut \$175 billion. Unfortunately, most of Congress did not agree. If we do not respond to our long-term problem with a long-term solution, large Federal deficits and low private saving will lead to increasingly costly and precarious dependence on foreign capital, and less investment to modernize and expand the economy. All this will result in smaller gains in productivity and a lower standard of living for our children and grandchildren. Mr. Chairman, Congress must vote for the balanced budget amendment to save future generations from this unconscionable economic burden.

#### INTRODUCTION OF LEGISLATION TO CONVEY SURPLUS REAL PROPERTY BY SALE AT THE FORT ORD MILITARY COMPLEX

**HON. SAM FARR**

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

*Monday, January 30, 1995*

Mr. FARR. Mr. Speaker, today I am introducing important legislation to convey surplus real property at the former Fort Ord Army reservation, by sale to the city of Seaside, CA. This legislation would, among other things, help implement the 1993 recommendation of the Defense Base Closure and Realignment Commission. In the Commission's 1993 report to the President, the Commission made specific recommendations for parcels of property to be disposed of by the Department of the Army, while recognizing the unique needs for supporting the military personnel remaining on the Monterey Peninsula. Specifically, the Commission directed the Department to dispose of all property, including the golf courses, not required to support the Presidio of Monterey and the Naval Postgraduate School. Accordingly, in 1993, the Acting Secretary of the Army decided to sell the two Fort Ord golf courses to the city of Seaside, CA.

Unfortunately, the Defense Base Closure and Realignment Act does not permit the Commission to take into account the nonappropriated fund revenue needs which are supported by the golf course revenues. Accordingly, this legislation would address that need by allowing funds received by the Army for the sale of the golf courses to be deposited into the Army morale, welfare, and recreation account.

The sale of the two Fort Ord golf courses to the city of Seaside is in accord with the Fort Ord preferred reuse alternative prepared by the federally recognized local redevelopment authority, the Fort Ord Reuse Authority [FORA]. As such, the Seaside purchase of the two Fort Ord golf courses will implement the community redevelopment plan as endorsed by S.B. 899, the State of California legislation creating the Fort Ord Reuse Authority.

The legislation conveys approximately 477 acres, which consists of the two Fort Ord golf courses, Black Horse and Bayonet, and the surplus Hayes housing facilities which have been excessed and appropriately screened according to the Pryor process. The city of Seaside will be required to pay fair market value for the property. The legislation directs the proceeds from the sale of the golf courses to be deposited in the Department of the Army morale, welfare and recreation fund, and the proceeds from the sale of the housing into the DOD BRAC account.

In the 103d Congress I authored legislation to convey certain surplus real property at Fort Ord to the California State University, and the University of California, the centerpieces of the community revitalization strategy. The legislation I am introducing today is another step in the community development reuse plan which is now falling into place. A single local governing entity has been formed, the 21st campus of the California State University is about to open, the BLM land at Fort Ord is being cleaned up by AmeriCorps participants, and the University of California's Science, Technology, Education, Policy Center is attracting investors.

My legislation will move the process forward again by assisting the Army in divesting itself of the golf courses vis-a-vis the 1993 BRAC recommendation, at the same time it helps foster economic development in the city of Seaside, which has been adversely impacted by the closure of Fort Ord.

#### FIRST-TIME HOMEBUYER AFFORDABILITY ACT

**HON. BILL ORTON**

OF UTAH

IN THE HOUSE OF REPRESENTATIVES

*Monday, January 30, 1995*

Mr. ORTON. Mr. Speaker, today I am re-introducing my First-time Homebuyer Affordability Act of 1995. I would like to take this opportunity to explain the need for this legislation and to summarize its provisions.

Study after study has demonstrated that the most significant barrier to home ownership in this country is the high level of downpayment generally required to secure approval of a mortgage loan. Yet, because of our current tax laws, the \$850 billion currently invested in indi-

vidual retirement accounts [IRA's] is effectively precluded from being used for such downpayment purposes, either directly by a homebuyer or through a parental loan. I believe we must change our IRA tax laws to dynamically open up these funds to promote home ownership.

The First-time Homebuyer Affordability Act accomplishes this objective. It is substantially identical to legislation I introduced in both the 102d and 103d Congress. Last year's bill, H.R. 1149, was a bipartisan effort, with 28 cosponsors, about equally split between Republicans and Democrats. H.R. 1149 was formally endorsed last year by both the National Association of Home Builders and the Mortgage Bankers Association of America.

First, let me explain the need for this legislation. Current IRA statutes prohibit an IRA account holder from engaging in a number of prohibited transactions, including loans to family members and use of one's own IRA funds for personal use. If anyone uses IRA funds for a prohibited transaction, the penalties are severe. The money that is used is subjected to full Federal and State income taxes. In addition, a 10-percent premature withdrawal or distribution penalty is assessed on the amount withdrawn. Combined, an IRA account holder may be forced to pay over 50 percent of the amount withdrawn in taxes and penalties. The result is that under current law, individuals are effectively precluded from using IRA funds to make a downpayment to buy a home.

My legislation overcomes this barrier by providing a targeted exemption from prohibited transaction rules to allow individuals to access IRA accounts to make a downpayment on a first-time home purchase. By structuring the use of funds as an economic transaction entered into by a self-directed IRA account, the tax and premature withdrawal penalties are avoided—resulting in a substantial savings to the homebuyer. By eliminating barriers to the use of IRA funds, this change would have a significant impact in increasing homeownership. Finally, this approach is prosavings. By structuring use of IRA funds as an economic transaction within an IRA, the moneys used to buy a home are eventually restored to the IRA, available for continued tax-deferred reinvestment.

Specifically, my bill: One, permits individuals to borrow money from their own IRA account to make all or part of a downpayment for a first-time home purchase of a primary residence. This is similar to loans permitted from one's 401(k) account; two, permits parents to lend money within their IRA account to their children for use as a downpayment on a first-time home purchase of a primary residence, and three, permits the transactions permitted in one and two above to be structured as an equity investment; that is, a home equity participation agreement.

IRA account holders are currently permitted to invest in a Ginnie Mae mutual fund, which consists of thousands and thousands of single family mortgages—on other people's homes. However, IRA funds may not be used to pay for or finance your own home, nor for the home of a family member. In other words, your IRA account can be used for the purchase of any home in the country except your own home or the home of a family member.